VOLUME XV No. 148 F R I D A Y August 9, 2013

THE WORLD IS STILL SWIMMING IN ECONOMIC FAECES

Corner an official of FedEx Corporation and ask him: *'How's business?'* and, if you catch him off guard, he may well answer: '*Horrible! We are feeling the downside of the US market, just now. There seems to be no letup.'*

Talk to specialised electronics manufacturers in Shenzhen, the People's Republic of China (PRC), about business in July and they may well tell you that orders for their goods from their customers in the US and Europe were down, materially, compared with like month in 2012: *'We expected a drop in orders … but the reduction in July …!'*

What happened to all of the talk about economic improvements with regard to Asia's two largest markets?

Obduracy appears to be the answer, as far as **TARGET** () can ascertain at this juncture, weighing up all of the pros and cons in respect of the entrenched situations in the US and Western Europe.

Home Sales

In the US, sales of previously owned homes in the month of June fell, having retreated from a six-month high.

This situation was blithely blamed on rising mortgage rates in The Land of The Free and The Home of The Brave by some *'experts'* of Wall Street.

According to statistics, interest rates for 30-year, fixed-rate mortgages have risen by one percentage point since early May.

The US **N**ational **A**ssociation of **R**ealtors (**NAR**), at the end of July, announced that its Pending Homes Sales Index for the month of June had fallen by about 0.40 percent to 110.90 points, compared with May's revised Index of 111.30 points, down from the previous advance figure of 112.30 points.

The **NAR** was basing its statistics on contracts, signed in the month of May. The NAR is known as being a powerful lobbying force in the US, being the largest trade association with in excess of 1.20 million members.

One can, therefore, believe that the NAR's statistics are a gauge, to a large extent, of the US housing market, which, in turn, is a barometer of the *'temperature'* of the US economy, in general.

After all, if property values fall, or fail to have an acceptable relative value, relative, that is, to prevailing interest rates, it must indicate that an economy is in tsuris.

Having a Look at Three of Europe's Sick List

Turning to Europe, the probability of another **E**uropean **U**nion (**EU**) member going into recession seems to have abated, at least for the present.

But the fall-out from the debt problems that plagued, and continues to plague, Greece is still very troubling, not just for Greece, but for the Western World.

In May 2010, the Greek Government’s deficit was estimated at 13.60 percent of **G**ross **D**omestic **P**roduct (**GDP**). It was the second highest deficit in the world.

Fearful that Greece would not be able to repay its sovereign debt, a rescue package was created, thanks to The Eurozone – an economic and monetary union of 17 member states – and with the help of the **I**nternational **M**onetary **F**und (**IMF**).

Since this determination was made, hundreds of billions of euros have been lent to Greece.

But very harsh austerity measures were imposed on the Government of Greece by the lenders for a continuation of the cash handouts; and, these measures will continue until the country’s deficit is brought under control.

The situation is, still, not under control in this country that is the home of democracy.

General strikes have become common in the country; many people are forced to live on the streets because they cannot afford to rent a roof over their heads; poverty is widespread; and, emigration to other, financially stronger members of the **E**uropean **U**nion (**EU**), is running at record levels.

The current unemployment rate in Greece is estimated at about 24.30 percent, with about 20 percent of the 10.77 million, human population, living below the poverty line.

That means that a large proportion of about 2.15 million Greeks are going to bed without any food in their stomachs.

Turning the microscope on Spain where the unemployment rate is running at about 25 percent, its 47.30 million, human population is struggling to make ends meet, with about 21 percent of the human population, living below the poverty rate.

That means, in respect of this country, that a large proportion of about 9.93 million Spaniards are going to bed with empty stomachs.

Spain’s economy is, today, enjoying another recession, according to the latest statistics.

The Spanish economy started to recede in the last quarter of 2007 and went into recession in the second quarter of 2008.

The obdurate high unemployment rate has thwarted the Spanish Government’s initiative to try to encourage investment in the country in spite of exports, seemingly showing signs of economic resiliency.

As with Greece, Spain has received many tens of billions of euros from the **E**uropean **C**entral **B**ank (**ECB**) after its cry for help.

On the tiny island of Cyprus, its landmass, being about 9,241 square kilometers, and being the home to about 1.16 million people, about 77 percent, being Greek, there are very grave economic problems.

About 23 percent of the youth of this EU member state is unemployed although the official unemployment rate, overall, is about 12 percent.

Cyprus was the fifth, Eurozone country to request a cash bailout from the ECB and the IMF, following its economy, falling into recession in 2009.

International investors are very shy to consider an investment in this country and one cannot help but ponder whether or not the country can weather the present economic storm.

Simply put, this country is bust.

<u>The Political and Economic Uncertainty</u>

There are many problems, facing Europe, today, and, since this area of the world is a very large player in the world's economy, that which affects Europe must, eventually, affect the largest single economy of the world, to wit, The United States of America.

And, for most of Europe, there appears to be no end in sight for many of Europe's convoluted problems: One has yet to hear of a formula that could be considered even remotely feasible and viable to tackle the problems.

For the next few years, the ECB and the European Commission have rejigged their figures of their growth forecasts for The Eurozone.

Suffering from high – and getting higher – unemployment, The Eurozone is experiencing unemployment at about 12.20 percent.

To employ a metaphor, political and or economic uncertainty is like a knife, digging deeply into the body of this area of the world.

When uncertainty in an economy is recognised as being rife, investors stay away.

Europe is, still, seen as an area of the world where it can slide back into an economic mire much quicker than its economy could move forward: The downside risks are far too great to merit a large-scale investment by foreign entrepreneurs or even countries' sovereign funds.

Due to this fact, European corporate entities and industrialists are hesitant to employ more staff or to invest in infrastructure except that which is demanded to keep the wheels of industry turning.
Thus, in countries, such as Greece, Spain and Cyprus, the present situations are unlikely to change in a hurry.

This situation has a knock-on effect in the banking industry as lenders become disinclined to make new loans since they will, without question, look at prospective borrowers and ask the key question: *'Alright, we can see the money, going out the door, but what are the prospects of that money, coming back – with interest?'*

What bankers fear is that they may never see their money, again, once a new borrower has closed the bank's door behind him.

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